

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Athol
Contributory Retirement System
For the Three Year Period
January 1, 2000 - December 31, 2002
PERAC 02: 10-017-25**

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June 10, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Athol** Retirement System pursuant to G.L. c. 32, §. 21. The examination covered the period from January 1, **2000** to December 31, **2002**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Athol Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

1. Refunds and Transfers

The auditor was unable to determine if refunds and transfers were being handled properly. There was no record of members' 'Accumulated Total Deductions' at the time of withdrawal and Section B of the 'Request for Withdrawal of Total Accumulated Deductions' was not completed by the appropriate department head. Therefore refund and transfer amounts could not be verified.

Recommendation:

The Board must maintain copies of the members' Annuity Savings Record at the time of the transaction and complete documentation on how the amounts were calculated. They must also ensure that the Request for 'Withdrawal of Total Accumulated Deductions' is completed properly and the appropriate department head completes Section B.

Board Response:

The Board will comply with the auditor's recommendations.

2. Affidavits

The Retirement Board is not requiring members and beneficiaries who receive a pension, retirement allowance, or survivor allowance to file affidavits annually. PERAC Regulation 840 CMR 15.01 requires that affidavits be filed annually under penalties of perjury.

Recommendation:

The Retirement System must require members and beneficiaries to annually file affidavits containing the following information:

- a) Name of member or beneficiary;
- b) Address of member or beneficiary;
- c) Statement certifying member or beneficiary is currently living;
- d) Statement describing beneficiary's current marital status where beneficiary's marital status is relevant to continued receipt of benefits;
- e) Statement describing beneficiary's current dependency status where dependency is relevant to continued receipt of benefits; and
- f) Additional information as the Board may require to determine whether the member or beneficiary is entitled to continued receipt of benefits.

In addition, the Board must withhold retirement benefits from those individuals who do not file the affidavit within a prescribed period of time established by the Board. The regulation also requires the Board to randomly audit 5% of the affidavits filed.

Athol Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

Board Response:

The Board will comply with the auditor's recommendations.

3. Accounting System

The Retirement Board is using a manual accounting system. They have also purchased and pay annual maintenance fees for an accounting software package. Minimal data is entered into the automated system solely for the purpose of printing a Trial Balance. The manual accounting system is time-consuming, prone to error, and difficult to follow.

Recommendation:

The Board should eliminate the manual account system immediately and fully utilize the automated accounting software.

Board Response:

Manual accounting has been eliminated and all accounting is currently being done directly on TACS.

4. Account Numbers

The Board is using account numbers 4828 – Increase in Amortization of Fixed Income Securities and 4829 – Decrease in Amortization of Fixed Income Securities. These accounts were discontinued in 1998 and should not be used.

Recommendation:

Fixed Income Securities are carried at market value and any changes should be booked to 4886 – Unrealized Gains and 4887 – Unrealized Losses.

Board Response:

Board will discontinue use of accounts 4828 and 4829 and begin using accounts 4886 and 4887.

5. Annuity Reserve Fund Interest

The Annuity Reserve Fund interest calculation is being done incorrectly. Interest is erroneously being calculated on the account balance at the end of December and added to the current year interest amount. This amount should be added to the following year interest total.

Recommendation:

The accounting software automatically calculates the required Annuity Reserve Fund interest and generates the appropriate journal entries.

Athol Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

Board Response:

Board will utilize accounting software to calculate ARF interest.

Final Determination:

PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.

Athol Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2002	2001	2000
Cash	\$800,029	\$222,194	\$397,892
Short Term Investments	285,384	585,075	512,305
Fixed Income Securities (at book value)	3,312,700	4,159,001	5,331,998
Equities	6,397,158	5,790,113	4,423,012
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	0	0	0
Pooled International Equity Funds	342,006	458,025	555,122
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	85,744	82,135	32,033
Accounts Receivable	677,763	1,006,444	891,634
Accounts Payable	0	0	0
TOTAL	<u>\$11,900,784</u>	<u>\$12,302,987</u>	<u>\$12,143,997</u>
FUND BALANCES			
Annuity Savings Fund	\$4,038,430	\$4,441,596	\$4,222,622
Annuity Reserve Fund	2,164,305	1,374,056	1,166,744
Pension Fund	1,476,577	1,627,641	1,692,681
Military Service Fund	1,561	1,523	1,486
Expense Fund	0	0	0
Pension Reserve Fund	<u>4,219,910</u>	<u>4,858,169</u>	<u>5,060,463</u>
TOTAL	<u>\$11,900,784</u>	<u>\$12,302,987</u>	<u>\$12,143,997</u>

Athol Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2000)	\$3,807,220	\$1,194,627	\$1,590,741	\$1,450	\$0	\$4,700,307	\$11,294,345
Receipts	572,816	35,307	1,033,859	36	64,220	360,156	2,066,394
Interfund Transfers	(60,519)	60,519					0
Disbursements	(96,895)	(123,709)	(931,918)	<u>0</u>	(64,220)	<u>0</u>	(1,216,742)
Ending Balance (2000)	4,222,622	1,166,744	1,692,681	1,486	0	5,060,463	12,143,997
Receipts	620,851	39,699	949,747	37	61,935	(202,293)	1,469,976
Interfund Transfers	(303,633)	303,633					0
Disbursements	(98,243)	(136,020)	(1,014,787)	<u>0</u>	(61,935)	<u>0</u>	(1,310,986)
Ending Balance (2001)	4,441,596	1,374,056	1,627,641	1,523	0	4,858,169	12,302,987
Receipts	642,582	51,679	1,077,684	38	84,749	(638,259)	1,218,474
Interfund Transfers	(907,256)	907,256					0
Disbursements	(138,492)	(168,687)	(1,228,749)	<u>0</u>	(84,749)	<u>0</u>	(1,620,677)
Ending Balance (2002)	<u>\$4,038,430</u>	<u>\$2,164,305</u>	<u>\$1,476,577</u>	<u>\$1,561</u>	<u>\$0</u>	<u>\$4,219,910</u>	<u>\$11,900,784</u>

Athol Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2002	2001	2000
Annuity Savings Fund:			
Members Deductions	\$514,405	\$505,618	\$479,025
Transfers from other Systems	6,977	25,841	0
Member Make Up Payments and Redeposits	66,272	13,890	15,769
Investment Income Credited to Member Accounts	<u>54,928</u>	<u>75,502</u>	<u>78,022</u>
Sub Total	<u>642,582</u>	<u>620,851</u>	<u>572,816</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>51,679</u>	<u>39,699</u>	<u>35,307</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	51,343	22,406	17,195
Received from Commonwealth for COLA and Survivor Benefits	92,193	100,274	109,426
Pension Fund Appropriation	<u>934,148</u>	<u>827,067</u>	<u>907,238</u>
Sub Total	<u>1,077,684</u>	<u>949,747</u>	<u>1,033,859</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>38</u>	<u>37</u>	<u>36</u>
Sub Total	<u>38</u>	<u>37</u>	<u>36</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>84,749</u>	<u>61,935</u>	<u>64,220</u>
Sub Total	<u>84,749</u>	<u>61,935</u>	<u>64,220</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	30,759	20,478	23,248
Pension Reserve Appropriation	133,266	179,377	0
Interest Not Refunded	1,006	344	2,287
Excess Investment Income	<u>(803,290)</u>	<u>(402,492)</u>	<u>334,621</u>
Sub Total	<u>(638,259)</u>	<u>(202,293)</u>	<u>360,156</u>
TOTAL RECEIPTS	<u>\$1,218,474</u>	<u>\$1,469,976</u>	<u>\$2,066,394</u>

Athol Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

FOR THE PERIOD ENDING DECEMBER 31,			
	2002	2001	2000
Annuity Savings Fund:			
Refunds to Members	\$109,123	\$60,254	\$65,912
Transfers to other Systems	29,368	37,989	30,983
Sub Total	<u>138,492</u>	<u>98,243</u>	<u>96,895</u>
Annuity Reserve Fund:			
Annuities Paid	168,687	136,020	123,709
Option B Refunds	0	0	0
Sub Total	<u>168,687</u>	<u>136,020</u>	<u>123,709</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	855,584	682,223	626,765
Survivorship Payments	101,165	86,039	104,944
Ordinary Disability Payments	29,031	26,104	23,707
Accidental Disability Payments	108,746	110,662	102,138
Accidental Death Payments	71,082	69,246	59,430
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	63,142	40,514	14,935
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>1,228,749</u>	<u>1,014,787</u>	<u>931,918</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	18,373	7,500	7,500
Legal Expenses	0	0	0
Medical Expenses	0	0	0
Travel Expenses	871	1,130	760
Administrative Expenses	14,000	11,290	11,600
Furniture and Equipment	9,434	0	2,561
Management Fees	31,554	31,511	31,349
Custodial Fees	10,518	10,504	10,450
Consultant Fees	0	0	0
Sub Total	<u>84,749</u>	<u>61,935</u>	<u>64,220</u>
TOTAL DISBURSEMENTS	<u>\$1,620,677</u>	<u>\$1,310,986</u>	<u>\$1,216,742</u>

Athol Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2002	2001	2000
Investment Income Received From:			
Cash	7,906	20,565	32,592
Short Term Investments	5,271	20,629	25,143
Fixed Income	325,657	316,754	309,643
Equities	48,869	32,159	33,021
Pooled or Mutual Funds	4,470	7,755	83,430
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>392,172</u>	<u>397,862</u>	<u>483,829</u>
Plus:			
Increase in Amortization of Fixed Income Securities	263,982	226,313	275,732
Realized Gains	41,724	53,479	200,334
Unrealized Gains	86,273	290,369	709,631
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>85,744</u>	<u>82,135</u>	<u>32,033</u>
Sub Total	<u>477,724</u>	<u>652,296</u>	<u>1,217,729</u>
Less:			
Decrease in Amortization of Fixed Income Securities	(127,469)	(106,285)	0
Paid Accrued Interest on Fixed Income Securities	(6,380)	(6,195)	(5,490)
Realized Loss	(421,283)	(753,080)	(416,218)
Unrealized Loss	(844,525)	(377,884)	(727,969)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(82,135)</u>	<u>(32,033)</u>	<u>(39,675)</u>
Sub Total	<u>(1,481,792)</u>	<u>(1,275,477)</u>	<u>(1,189,352)</u>
NET INVESTMENT INCOME	<u>(611,896)</u>	<u>(225,319)</u>	<u>512,206</u>
Income Required:			
Annuity Savings Fund	54,928	75,502	78,022
Annuity Reserve Fund	51,679	39,699	35,307
Military Service Fund	38	37	36
Expense Fund	<u>84,749</u>	<u>61,935</u>	<u>64,220</u>
TOTAL INCOME REQUIRED	<u>191,394</u>	<u>177,173</u>	<u>177,585</u>
Net Investment Income	<u>(611,896)</u>	<u>(225,319)</u>	<u>512,206</u>
Less: Total Income Required	<u>191,394</u>	<u>177,173</u>	<u>177,585</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$803,290)</u>	<u>(\$402,492)</u>	<u>\$334,621</u>

Athol Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$800,029	7.18%	100
Short Term		285,384	2.56%	100
Fixed Income		3,312,700	29.74%	40 - 80
Equities		6,397,158	57.44%	40
Pooled Short Term Funds		0	0.00%	
Pooled Domestic Equity Funds		0	0.00%	
Pooled International Equity Funds		342,006	3.07%	
Pooled Global Equity Funds		0	0.00%	
Pooled Domestic Fixed Income Funds		0	0.00%	
Pooled International Fixed Income Funds		0	0.00%	
Pooled Global Fixed Income Funds		0	0.00%	
Pooled Alternative Investment Funds		0	0.00%	
Pooled Real Estate Funds		0	0.00%	
Pooled Domestic Balanced Funds		0	0.00%	
Pooled International Balanced Funds		0	0.00%	
PRIT Cash Fund		0	0.00%	
PRIT Core Fund		0	0.00%	100
GRAND TOTALS	\$0	\$11,137,277	100.00%	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2002**, the rate of return for the investments of the **Athol** Retirement System was -5.22%. For the five-year period ending December 31, **2002**, the rate of return for the investments of the **Athol** Retirement System averaged 3.41%. For the 18-year period ending December 31, **2002**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Athol** Retirement System was 8.17%.

Athol Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

The **Athol** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

August 8, 1989

Real Estate Investments shall not exceed 7% of the total book value of the portfolio at the time of purchase.

January 3, 1992

16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

July 18, 1996

Equity Investments shall not exceed 50% of the total book value of the portfolio at the time of purchase.

April 20, 2001

16.08 Fleet Investment Advisors manages all of the Athol Retirement Board's portfolio assets. Because of the small size of the assets involved, the manager and the board agree that it is more efficient to achieve the desired allocation to small cap stocks within the equity portion by investing in Fleet's small cap pooled fund rather than purchasing individual stocks. Therefore, under Investment Guideline 99-2, the Board is authorized to invest in the Galaxy Small Company Equity mutual fund.

Athol Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Athol** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Athol Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Athol Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Athol** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

The Athol Retirement Board has not submitted any supplemental membership regulations.

Athol Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Gene A. Ferrari, Jr

Appointed Member: Joseph Wotjkowski Term Expires: 12/31/2004

Elected Member: James W. Wright Term Expires: 06/30/2005

Elected Member: Brian Martin Term Expires: 06/30/2006

Appointed Member: Brian Stoddard Term Expires: 12/31/2004

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$1,000,000
Elected Member:)	Travelers
Appointed Member:)	
Staff Employee:)	

Athol Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **PERAC** as of **January 1, 2002**.

The actuarial liability for active members was	\$12,605,343
The actuarial liability for non-vested terminated members was	82,658
The actuarial liability for retired members was	<u>9,963,523</u>
The total actuarial liability was	22,651,524
System assets as of that date were	<u>12,302,987</u>
The unfunded actuarial liability was	<u>\$10,348,537</u>
The ratio of system's assets to total actuarial liability was	54.3%
As of that date the total covered employee payroll was	\$6,071,955

The normal cost for employees on that date was 7.90% of payroll

The normal cost for the employer was 7.10% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum
Rate of Salary Increase: Varies by group and service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$12,302,987	\$22,651,524	\$10,348,537	54.3%	\$6,071,955	170.4%
1/1/2000	11,294,345	20,139,860	8,845,515	56.1%	5,435,154	162.7%
1/1/1998	9,300,199	17,086,283	7,786,084	54.4%	4,944,390	157.5%
1/1/1996	7,196,681	12,833,202	5,636,521	56.1%	4,398,789	128.1%

Athol Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Superannuation	6	7	7	4	9	2	0	1	9	20
Ordinary Disability	0	0	0	1	0	0	1	1	0	0
Accidental Disability	1	0	0	0	0	1	0	0	0	0
Total Retirements	7	7	7	5	9	3	1	2	9	20
Total Retirees, Beneficiaries and Survivors	128	125	129	126	129	139	132	129	131	149
Total Active Members	253	268	276	288	291	281	309	329	333	323
Pension Payments										
Superannuation	\$496,747	\$534,539	\$525,027	\$599,737	\$611,223	\$649,715	\$622,687	\$626,765	\$682,223	\$855,584
Survivor/Beneficiary Payments	59,261	60,622	68,510	75,930	81,353	65,073	89,117	104,944	86,039	101,165
Ordinary Disability	8,276	8,400	8,524	14,156	13,883	14,045	26,015	23,707	26,104	29,031
Accidental Disability	89,042	84,262	93,096	82,723	83,095	107,287	86,928	102,138	110,662	108,746
Other	<u>87,886</u>	<u>98,804</u>	<u>103,912</u>	<u>99,830</u>	<u>99,431</u>	<u>82,827</u>	<u>133,174</u>	<u>74,365</u>	<u>109,760</u>	<u>134,223</u>
Total Payments for Year	<u>\$741,212</u>	<u>\$786,627</u>	<u>\$799,069</u>	<u>\$872,376</u>	<u>\$888,985</u>	<u>\$918,947</u>	<u>\$957,921</u>	<u>\$931,918</u>	<u>\$1,014,787</u>	<u>\$1,228,749</u>